



# HAPPINET CORPORATION

## Financial Statements

Consolidated Financial Results  
for the 2nd Quarter of the Fiscal Year Ending March 31, 2014

November 12, 2013

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## 1. Consolidated Quarterly Financial Statements

## (1) Consolidated Quarterly Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2013)	Current Fiscal Year (As of Sept. 30, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	10,155	10,541
Notes and accounts receivable-trade	27,234	28,569
Inventories	6,529	9,049
Other	4,074	4,875
Allowance for doubtful accounts	(63)	(84)
<b>Total current assets</b>	<b>47,930</b>	<b>52,951</b>
Noncurrent assets		
Property, plant and equipment	1,110	1,694
Intangible assets		
Goodwill	246	123
Other	738	580
<b>Total intangible assets</b>	<b>985</b>	<b>704</b>
Investments and other assets	2,976	4,914
<b>Total noncurrent assets</b>	<b>5,072</b>	<b>7,312</b>
<b>Total assets</b>	<b>53,003</b>	<b>60,264</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	22,672	22,795
Short-term loans payable	-	6,000
Income taxes payable	678	569
Provision for bonuses	378	230
Other provision	24	23
Other	3,129	3,044
<b>Total current liabilities</b>	<b>26,883</b>	<b>32,663</b>
Noncurrent liabilities		
Provision for retirement benefits	1,830	2,039
Provision for directors' retirement benefits	-	22
Other	999	1,015
<b>Total noncurrent liabilities</b>	<b>2,829</b>	<b>3,077</b>
<b>Total liabilities</b>	<b>29,713</b>	<b>35,741</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,775	2,775
Retained earnings	18,607	19,727
Treasury stock	(1,055)	(989)
<b>Total shareholders' equity</b>	<b>23,078</b>	<b>24,265</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	189	249
Deferred gains or losses on hedges	1	(0)
<b>Total valuation and translation adjustments</b>	<b>191</b>	<b>249</b>
Subscription rights to shares	17	8
Minority interests	1	0
<b>Total net assets</b>	<b>23,289</b>	<b>24,522</b>
<b>Total liabilities and net assets</b>	<b>53,003</b>	<b>60,264</b>

(2) Consolidated Quarterly Statements of Income and Consolidated quarterly Statements of Comprehensive Income  
(Consolidated Quarterly Statements of Income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2012 - Sept. 30, 2012)	Current Fiscal Year (Apr. 1, 2013 - Sept. 30, 2013)
Net sales	76,211	87,371
Cost of sales	66,019	76,587
Gross profit	10,192	10,783
Selling, general and administrative expenses	9,185	9,231
Operating income	1,007	1,551
Non-operating income		
Interest income	1	1
Dividends income	16	21
Amortization of negative goodwill	14	1
Other	38	34
Total non-operating income	70	58
Non-operating expenses		
Interest expenses	2	5
Foreign exchange losses	1	0
Provision of allowance for doubtful accounts	-	24
Other	0	0
Total non-operating expenses	5	30
Ordinary income	1,072	1,579
Extraordinary income		
Gain on sales of noncurrent assets	0	2
Gain on sales of investment securities	5	-
Gain on negative goodwill	-	409
Total extraordinary income	5	411
Extraordinary loss		
Loss on sales of noncurrent assets	1	0
Loss on retirement of noncurrent assets	1	0
Loss on valuation of investment securities	31	7
Impairment loss	13	33
Loss on valuation of membership	7	-
Directors' retirement benefits	-	110
Total extraordinary losses	55	152
Income before income taxes	1,022	1,838
Income taxes-current	371	557
Income taxes-deferred	(59)	(94)
Total income taxes	312	462
Income before minority interests	710	1,376
Minority interests in income	0	0
Net income	709	1,375

## (Consolidated quarterly statements of comprehensive income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2012 - Sept. 30, 2012)	Current Fiscal Year (Apr. 1, 2013 - Sept. 30, 2013)
Income before minority interests	710	1,376
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	59
Deferred gains or losses on hedges	(1)	(2)
Total other comprehensive income	(11)	57
Comprehensive income	698	1,434
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	698	1,433
Comprehensive income attributable to minority interests	0	0

## (3) Consolidated Quarterly Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (Apr. 1, 2012 - Sept. 30, 2012)	Current Fiscal Year (Apr. 1, 2013 - Sept. 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	1,022	1,838
Depreciation and amortization	323	309
Impairment loss	13	33
Amortization of goodwill	154	121
Gain on negative goodwill	-	(409)
Increase (decrease) in allowance for doubtful accounts	(5)	12
Share-based compensation expenses	5	-
Increase (decrease) in provision for bonuses	(211)	(193)
Increase (decrease) in provision for retirement benefits	48	55
Increase (decrease) in provision for directors' retirement benefits	-	0
Interest and dividends income	(17)	(23)
Interest expenses	2	5
Loss (gain) on sales and retirement of noncurrent assets	2	(1)
Loss (gain) on sales of investment securities	(5)	-
Loss (gain) on valuation of investment securities	31	7
Loss on valuation of membership	7	-
Foreign exchange losses (gains)	1	0
Decrease (increase) in notes and accounts receivable-trade	3,357	618
Decrease (increase) in inventories	(2,236)	(1,564)
Increase (decrease) in notes and accounts payable-trade	(1,501)	(1,030)
Other, net	(722)	(2,222)
Subtotal	271	(2,440)
Interest and dividends income received	17	23
Interest expenses paid	(2)	(9)
Income taxes paid	(1,593)	(666)
Net cash provided by (used in) operating activities	(1,306)	(3,093)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(69)	(156)
Proceeds from sales of property, plant and equipment	1	5
Purchase of intangible assets	(72)	(62)
Purchase of investment securities	(4)	(5)
Proceeds from sales of investment securities	6	-
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	5
Purchase of investments in subsidiaries	-	(1)
Other, net	(34)	89
Net cash provided by (used in) investing activities	(173)	(124)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-	4,000
Repayment of long-term loans payable	-	(194)
Proceeds from sales of treasury stock	0	-
Proceeds from disposal of treasury stock	-	53
Purchase of treasury stock	-	(0)
Cash dividends paid	(363)	(252)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(364)	3,605
Effect of exchange rate change on cash and cash equivalents	(1)	(1)
Net increase (decrease) in cash and cash equivalents	(1,846)	386
Cash and cash equivalents at beginning of period	12,359	10,155
Cash and cash equivalents at end of period	10,512	10,541

## 2. Consolidated Quarterly Financial Results by Business Segments

I 2nd Quarter of the Fiscal Year Ended March 31, 2013 (April 1, 2012 - September 30, 2012)

Information on net sales and profits or losses by reported segment

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	32,410	20,711	13,127	9,962	76,211	—	76,211
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	32,410	20,711	13,127	9,962	76,211	—	76,211
Segment income	833	107	98	605	1,644	(637)	1,007

\*1 The 637 million yen adjustment to segment income includes unallocated operating expenses.

The expenses cannot be assigned to any particular segment and are mostly administrative expenses incurred by the administration sector of the HAPPINET CORPORATION.

\*2 Segment income is adjusted to be consistent with operating income shown on the consolidated quarterly statements of income.

II 2nd Quarter of the Fiscal Year Ending March 31, 2014 (April 1, 2013 - September 30, 2013)

(1) Information on net sales and profits or losses by reported segment

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	31,880	21,300	23,042	11,147	87,371	—	87,371
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	31,880	21,300	23,042	11,147	87,371	—	87,371
Segment income	563	377	34	1,190	2,166	(614)	1,551

\*1 The 614 million yen adjustment to segment income includes unallocated operating expenses.

The expenses cannot be assigned to any particular segment and are mostly administrative expenses incurred by the administration sector of the HAPPINET CORPORATION.

\*2 Segment income is adjusted to be consistent with operating income shown on the consolidated quarterly statements of income.

(2) Information on assets by reported segment

(Substantial increase in assets due to the acquisition of a subsidiary)

In the 2nd quarter of the current fiscal year, assets in the Video-game business segment increased 11,015 million yen from the last day of the previous consolidated fiscal year due to the acquisition of the common shares of TOYS UNION Co., Ltd. and the inclusion of this company in the consolidated subsidiaries.

(3) Information on impairment loss on noncurrent assets and goodwill by reportable segment

(Significant gain on negative goodwill)

In the 2nd quarter of the current fiscal year, 409million of gain on negative goodwill was recorded as extraordinary income in the Video-game business segment due to the acquisition of the common shares of TOYS UNION Co., Ltd. and the inclusion of this company in the consolidated subsidiaries on July 16, 2013.